



BEFORE THE STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Proceeding on Motion of
the Commission to Examine
New York Telephone
Company's Rates for
Unbundled Network Elements

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Case 98-C-1357

PANEL REPLY TESTIMONY
OF AT&T COMMUNICATIONS
OF NEW YORK, INC.

MEMBERS OF THE PANEL:

Michael R. Baranowski
John C. Donovan
Thomas R. LoFrisco
John W. Mayo
Catherine E. Pitts
Steven E. Turner
Richard J. Walsh

DATE: JUNE 26, 2000

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1 I INTRODUCTION OF PANEL AND SUMMARY OF PANEL REPLY
2 TESTIMONY

3
4

5 Q. MR. BARANOWSKI, PLEASE STATE YOUR FULL NAME AND BUSINESS
6 ADDRESS.

7 A. My name is Michael R. Baranowski. I am Executive Vice
8 President of Klick, Kent & Allen, Inc., a subsidiary of FTI
9 Consulting, Inc. ("FTI/KKA"). FTI/KKA is an economic and
10 financial consulting firm with offices at 66 Canal Center
11 Plaza, Suite 670, Alexandria VA, 22314.

12 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.

13 A. I received a Bachelor of Science degree in Accounting from
14 Fairfield University in 1980.

15 Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE.

16
17 A. After graduation from Fairfield University, I joined the
18 consulting firm of Wyer, Dick and Company in Livingston,
19 New Jersey. Since that time, I have been continuously
20 involved in cost analyses, including analyses of short-run
21 and long-run marginal costs, short-run and long-run
22 incremental costs, and stand-alone costs for a variety of
23 industries. These studies often employ complex, computer-
24 driven models that rely upon detailed engineering input
25 data and sophisticated discounted cash flow techniques.

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1 The results of many of these studies have been submitted in
2 administrative proceedings, in court, and in arbitrations.
3 Since 1996, I have been assisting AT&T and other CLEC's in
4 analyzing cost evidence submitted in various proceedings
5 arising out of the Telecommunications Act of 1996.

6 **Q. WILL YOU BRIEFLY SUMMARIZE YOUR RECENT TELECOMMUNICATIONS**
7 **EXPERIENCE THAT IS RELEVANT TO THIS PROCEEDING?**

8 **A.** The firm has presented forward-looking economic costs for
9 unbundled network elements ("UNEs") in a number of
10 jurisdictions including Colorado, the District of Columbia,
11 Idaho, Iowa, Minnesota, Montana, Nebraska, New Mexico,
12 North Carolina, North Dakota, Oregon, South Dakota, Texas,
13 Washington, and Wyoming. We have participated in Universal
14 Service Fund proceedings in Alabama, Colorado, Florida,
15 Georgia, Minnesota, Montana, New Mexico, North Carolina,
16 South Carolina, and Washington. We have critiqued cost
17 studies submitted by Bell Atlantic in Delaware, the
18 District of Columbia, Maryland, New York, New Jersey,
19 Pennsylvania, Virginia, and West Virginia. We have
20 critiqued cost studies presented by GTE in California,
21 Iowa, Minnesota, Nebraska, New Mexico, Oregon, Texas and
22 Washington, submitted testimony in Texas on Southwestern
23 Bell's cost studies, and critiques of the Benchmark Cost
24 Proxy Model ("BCPM") in numerous states. Finally, we have

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1 assisted AT&T and MCI in developing a methodology to be
2 used to determine forward-looking costs for collocation,
3 and submitted testimony on the AT&T/MCI Collocation Cost
4 Model in the states of Alabama, Florida, Georgia,
5 Louisiana, Maryland, Minnesota, New York, North Carolina,
6 Pennsylvania and Tennessee. FTI/KKA also has had relevant
7 experience in other "network industries," including the
8 railroad, pipeline and trucking industries.

9 **Q. WHAT IS THE PURPOSE OF YOUR PARTICIPATION IN AT&T'S REPLY**
10 **TESTIMONY PANEL?**

11 **A.** I was asked by AT&T to review critically the Unbundled
12 Network Element ("UNE") cost studies presented by Bell
13 Atlantic - New York ("BA-NY") with its February 7, 2000
14 submission in this proceeding along with subsequent
15 revisions provided by BA-NY on May 22, 2000. While my
16 analysis focuses primarily on those aspects of the study
17 pertaining to the cost of the loop and related loop
18 components, it also addresses factors and adjustments that
19 BA-NY has employed generally throughout its cost studies.
20 This reply testimony demonstrates that BA-NY's claimed loop
21 and other UNE costs substantially exceed forward-looking
22 economic costs and should be rejected. In summary, BA-NY's
23 cost claims fail to satisfy the TELRIC standard as applied
24 by this Commission.

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1
2 Although there has not been adequate time to correct all of
3 the flaws inherent in BA-NY's cost presentation, we have
4 identified major deficiencies and corrected them using BA-
5 NY's own study. After correcting the BA-NY study where
6 possible to eliminate costs that would not reasonably be
7 incurred in a forward-looking network environment, the BA-
8 NY model produces UNE rates in many instances that are
9 lower than those produced by the AT&T/MCI WorldCom UNE 2
10 Cost Study.

11 **Q. MR. DONOVAN, PLEASE STATE YOUR FULL NAME, PRESENT POSITION**
12 **AND BUSINESS ADDRESS.**

13 **A.** My name is John C. Donovan. I am President of Telcom
14 Visions, Inc. a telecommunications consulting company
15 located at 11 Osborne Road, Garden City Long Island.

16 **Q. DID YOU SUBMIT DIRECT TESTIMONY IN THIS PROCEEDING ON**
17 **FEBRUARY 7, 2000 AND REVISIONS ON APRIL 20, 2000?**

18 **A.** Yes.

19 **Q. WHAT IS THE PURPOSE OF YOUR PARTICIPATION IN AT&T'S REPLY**
20 **TESTIMONY PANEL?**

21 **A.** AT&T requested that I review critically from a technical
22 perspective the engineering and outside plant assumptions
23 underlying BA-NY's claimed loop costs. This reply testimony
24 demonstrates that BA-NY's outside plant and engineering

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1 assumptions are without merit in material respects, which
2 contributed directly to BA-NY's inflated loop cost claims.

3 **Q. MR. LOFRISCO, PLEASE STATE YOUR FULL NAME, PRESENT POSITION**
4 **AND BUSINESS ADDRESS.**

5 **A. My name is Thomas R. LoFrisco. I am AT&T's District**
6 **Manager for its Northeast Local Services and Access**
7 **Management Group. My business address is 32 Avenue of the**
8 **Americas, New York, New York, 10013.**

9 **Q. DID YOU SUBMIT DIRECT TESTIMONY IN THIS PROCEEDING ON**
10 **FEBRUARY 7, 2000 AND REVISIONS ON APRIL 20 AND JUNE 9,**
11 **2000?**

12 **A. Yes.**

13 **Q. WHAT IS THE PURPOSE OF YOUR PARTICIPATION IN AT&T'S REPLY**
14 **TESTIMONY PANEL?**

15 **A. I have examined BA-NY's cost study and determined that**
16 **significant deficiencies exist that have resulted in**
17 **inflated cost claims far exceeding forward-looking economic**
18 **costs. For example, this reply testimony shows that, among**
19 **other flaws in its study, BA-NY has inflated its claimed**
20 **loop costs by not properly quantifying the retail costs**
21 **that would be avoided in the wholesale business of**
22 **providing UNEs. In addition, the testimony demonstrates**
23 **that BA-NY's loop cost claims must be reduced to account**
24 **for BA-NY's inefficient operating practices that have**

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1 resulted in a non-forward-looking volume of repeat repairs.
2 This reply testimony also shows that BA-NY's proposed House
3 and Riser rates should be rejected since they conflict with
4 TELRIC standards as applied by this Commission. In each
5 instance, we have restated BA-NY's cost study results after
6 correcting for its errors.

7 **Q. DR. MAYO, PLEASE STATE YOUR FULL NAME, PRESENT POSITION AND**
8 **BUSINESS ADDRESS.**

9 **A. My name is John W. Mayo. I am Senior Associate Dean and**
10 **Professor of Economics, Business and Public Policy at**
11 **Georgetown University's McDonough School of Business, Old**
12 **North Building, 37th and O Streets, N.W., Washington, D.C.**
13 **20057.**

14 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND PROFESSIONAL**
15 **BACKGROUND.**

16 **A. I hold a Ph.D. in economics from Washington University, St.**
17 **Louis (1982), with a principal field of concentration in**
18 **industrial organization, which includes the analysis of**
19 **antitrust and regulation. I also hold both an M.A.**
20 **(Washington University, 1979) and a B.A. (Hendrix College,**
21 **Conway, Arkansas, 1997) in economics.**

22
23 Since my graduation, I have taught economics at Georgetown
24 University, the University of Tennessee and at Virginia

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1 Polytechnic Institute (VPI). Also, I have served as the
2 Chief Economist, Democratic Staff of the U.S. Senate Small
3 Business Committee. Both my research and teaching have
4 centered on the relationship of government and business,
5 with particular emphasis on regulated industries. I have
6 authored numerous articles and research monographs, and
7 have written a comprehensive text entitled Government and
8 Business: The Economics of Antitrust and Regulation (with
9 David L. Kaserman, The Dryden Press, 1995). I have also
10 written a number of specialized articles on economic issues
11 in the telecommunications industry. These articles include
12 discussions of competition and pricing in the
13 telecommunications industry and have appeared in academic
14 journals such as the RAND Journal of Economics, the Journal
15 of Law and Economics, the Journal of Regulatory Economics,
16 and the Yale Journal on Regulation. A more detailed
17 accounting of my education, publications and employment
18 history is contained in ATTACHMENT 1 to this reply
19 testimony.

20 **Q. WHAT IS THE PURPOSE OF YOUR PARTICIPATION IN AT&T'S REPLY**
21 **TESTIMONY PANEL?**

22 **A.** AT&T has asked me whether -- separate and apart from a
23 detailed examination of the cost models filed in this case
24 -- there exist economic and market considerations that

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1 should serve as the foundation for the Commission's
2 analysis and considered evaluation of BA-NY's UNE cost
3 claims. The answer is an unequivocal yes. This reply
4 testimony identifies these critical market and economic
5 considerations and shows that BA-NY's requested UNE price
6 increases are only justified if the Commission's existing
7 UNE rates were miscalculated by the Commission and were, in
8 fact, set below forward-looking economic costs in 1997, or
9 if they were initially correctly calculated, but the cost
10 of supplying UNEs has increased precipitously over the past
11 three years. Since neither consideration would seem to
12 apply, BA-NY's UNE cost claims must be rejected.

13 **Q. MS. PITTS, PLEASE STATE YOUR FULL NAME, PRESENT POSITION**
14 **AND BUSINESS ADDRESS.**

15 **A.** My name is Catherine E. Pitts (formerly Petzinger). I am a
16 District Manager with AT&T's Law and Government Affairs,
17 295 North Maple Avenue, Basking Ridge, New Jersey.

18 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND**
19 **TELECOMMUNICATIONS INDUSTRY EXPERIENCE.**

20 **A.** I received B.A. in political science and Master of Business
21 Administration degrees from Rutgers University. My
22 telecommunications industry experience includes over twelve
23 years of building cost models, and subsequently leading the
24 Telcordia (formerly Bellcore) group that developed

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1 switching cost models, including the Switching Cost
2 Information System ("SCIS"). My experience also includes
3 extensive consultation on the use of telecommunications
4 cost models throughout the United States and abroad. I
5 joined Telcordia in 1984 and during my twelve year tenure,
6 was one of three individuals who designed the SCIS/IN¹ model
7 and implemented new incremental costing methodology into
8 the program. I also was the lead subject matter expert on
9 feature costing in general, as well as a subject matter
10 expert on 1ESS, 1A ESS and 5ESS switches. In approximately
11 1994, when I was promoted to lead Telcordia's SCIS group of
12 approximately 20 people, I had overall responsibility for
13 the technical development, production, documentation,
14 customer care and cost study consultation for the SCIS
15 family of cost models. In 1996, I assumed my current
16 position with AT&T.

17 **Q. HAVE YOU PREVIOUSLY PRESENTED TESTIMONY BEFORE THIS**
18 **COMMISSION CONCERNING BA-NY'S UNE COST CLAIMS?**

19 **A. Yes. As Catherine E. Petzinger, my testimony in the**
20 **Phase 3 cost proceeding (Case Nos. 95-C-0657, 94-C-0095,**
21 **91-C-1174) demonstrated that when the Commission initially**

¹ SCIS/IN is the feature costing model in the SCIS family of models.

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1 set UNE rates, BA-NY had materially misrepresented the
2 switch equipment discounts available from its vendors,
3 thereby substantially inflating its claimed switching
4 costs. The need to develop a full record based upon the
5 aggressive new switch discounts available from BA-NY's
6 switch vendors that were first uncovered in Phase 3 is one
7 of the reasons for this proceeding. Noteworthy in this
8 regard is that unlike BA-NY's other current UNE rates, the
9 Commission determined explicitly to keep BA-NY's switch UNE
10 rates temporary and subject to refund pending the
11 development of such a full record in this case.

12 **Q. WHAT IS THE PURPOSE OF YOUR PARTICIPATION IN AT&T'S REPLY**
13 **TESTIMONY PANEL?**

14 **A.** I have once again conducted a detailed analysis of BA-NY's
15 switching cost claims including a review of the SCIS model
16 that BA-NY relies upon. This reply testimony demonstrates
17 that BA-NY's claimed switch UNE costs substantially exceed
18 forward-looking economic costs and should be rejected.
19 Indeed, the testimony shows that the Commission's current
20 temporary switch UNE rates substantially exceed BA-NY's
21 forward-looking economic costs by 70% or more and must be
22 reduced. Specifically, the testimony demonstrates that BA-
23 NY's entire methodological approach to developing its costs
24 for switching is without merit. First, because BA-NY's

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1 cost study does not assume the purchase of new digital
2 switches at new switch prices explicitly defined by BA-NY's
3 switch vendors, the study does not satisfy basic TELRIC
4 principles for modeling a reconstructed local network.
5 Instead of using the aggressive new switch purchase
6 discounts offered by its vendors, BA-NY relied on the
7 limited "growth" discounts -- available for adding-on
8 capacity to existing switches -- thereby substantially
9 inflating its claimed switch costs. Second, the SCIS model
10 that BA-NY relies upon to support its claimed switching
11 costs is incapable of accurately estimating switch prices
12 for the switch configurations BA-NY used in its study.
13 Consequently, no basis exists to use SCIS in this
14 proceeding. Third, BA-NY's proposed switch engineering and
15 installation factors are overstated and must be adjusted to
16 reflect the costs of an efficient company operating in a
17 competitive environment.

18
19 This testimony also shows that the methodology BA-NY
20 proposes for development of the switch portion of the
21 "derived" rates should be rejected. No basis exists to
22 consider switch costs in fundamentally different ways
23 depending upon whether the context is switching UNEs or
24 reciprocal compensation. Consequently, the appropriate

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1 switch and transport UNE rates -- identified below after
2 making the required adjustments to BA-NY's cost study --
3 should serve as the components to develop the reciprocal
4 compensation rate.

5 **Q. MR. TURNER, PLEASE STATE YOUR FULL NAME AND BUSINESS**
6 **ADDRESS.**

7 **A.** My name is Steven E. Turner. My business address is Kaleo
8 Consulting, 1130 Creekwood Drive, Garland, Texas 75044.

9 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

10 **A.** I head my own telecommunications and financial consulting
11 firm, Kaleo Consulting.

12 **Q. PLEASE DESCRIBE YOUR EDUCATION BACKGROUND.**

13 **A.** I hold a Bachelor of Science degree in Electrical
14 Engineering from Auburn University in Auburn, Alabama. I
15 also hold a Masters of Business Administration in Finance
16 from Georgia State University in Atlanta, Georgia.

17 **Q. PLEASE DESCRIBE YOUR WORK EXPERIENCE.**

18 **A.** From 1986 through 1987, I was a Research Engineer for
19 General Electric in its Advanced Technologies Department
20 developing high-speed graphics simulators. In 1987, I
21 joined AT&T and, during my career there, held a variety of
22 engineering, operations, and management positions. These

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1 positions covered the switching, transport, and signaling
2 disciplines within AT&T. From 1995 until 1997, I worked in
3 the Local Infrastructure and Access Management organization
4 within AT&T. In this organization, I gained familiarity
5 with many of the regulatory issues surrounding AT&T's local
6 market entry, including issues concerning the unbundling of
7 incumbent local exchange company (incumbent) networks. I
8 was on the AT&T team that negotiated with Southwestern Bell
9 Telephone Company ("SWBT") concerning unbundled network
10 element definitions and methods of interconnection. A copy
11 of my resume is attached to this reply testimony as
12 ATTACHMENT 2.

13 **Q. HAVE YOU PREVIOUSLY TESTIFIED OR FILED TESTIMONY BEFORE A**
14 **PUBLIC UTILITY OR PUBLIC SERVICE COMMISSION?**

15 **A.** I have testified or filed testimony before the commissions
16 in the states of Arkansas, California, Colorado, Delaware,
17 Hawaii, Illinois, Kansas, Massachusetts, Michigan,
18 Minnesota, Missouri, Nebraska, Nevada, Oklahoma,
19 Pennsylvania, Texas, and Washington. Additionally, I have
20 filed testimony before the Federal Communications
21 Commission ("FCC"). A list of testimony that I have
22 previously filed is attached as ATTACHMENT 3.

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1 Q. WHAT IS THE PURPOSE OF YOUR PARTICIPATION IN AT&T'S REPLY
2 TESTIMONY PANEL?

3 A. I was asked by AT&T to review BA-NY's claimed interoffice
4 transport and common (shared) transport costs as well as
5 its Geographically Relevant Interconnection Point ("GRIP")
6 proposal. This reply testimony shows that BA-NY has
7 significantly overstated its forward-looking economic costs
8 for dedicated interoffice transport and common (shared)
9 transport. For interoffice transport, BA-NY has made
10 fundamental methodological errors in its study understating
11 the capacity of the SONET rings thereby significantly
12 overstating the costs for the circuits riding those SONET
13 rings. BA-NY's cost study also improperly includes Digital
14 Cross-connect System ("DCS") on most dedicated transport
15 circuits regardless of whether the CLEC elects this element
16 or not. Consistent with the BA-NY/AT&T interconnection
17 agreement, and the FCC's Advanced Services Order, DCS
18 should be treated as a separate unbundled element, which a
19 CLEC has the option to purchase based upon weighing both
20 the added cost and associated benefits of DCS combined with
21 dedicated transport. This testimony also shows that BA-
22 NY's development of the fill factors for DS1 to DS0

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1 multiplexing do not adequately account for how this element
2 is used by the CLEC.

3
4 Further, this testimony shows that BA-NY has significantly
5 overstated the costs for common (shared) transport.
6 Particularly, BA-NY has based the cost for common transport
7 on its underlying dedicated transport cost study. Given
8 that the corrections made to BA-NY's dedicated transport
9 cost study alter these costs, the results should also be
10 incorporated into the common transport cost study.

11 Additionally, BA-NY has significantly overstated the
12 distance between its central offices in developing the cost
13 for common transport thereby overstating the rate for this
14 element. Although we do not have specific information to
15 precisely correct the mileage in BA-NY's cost study, we
16 have altered the mileage to a figure that would be much
17 closer to the appropriate TELRIC distance for this element.

18
19 Finally, this reply testimony demonstrates that BA-NY's
20 GRIP proposal is inconsistent with FCC orders related to
21 interconnection and the emphasis placed on allowing the new
22 entrant to select the method of interconnection with the
23 incumbent. Moreover, since BA-NY's GRIP proposal would

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1 improperly transfer transport costs from BA-NY to CLECs,
2 BA-NY's proposal should be rejected.

3 **Q. MR. WALSH, PLEASE STATE YOUR FULL NAME, BUSINESS ADDRESS**
4 **AND PRESENT POSITION.**

5 **A. My name is Richard J. Walsh and my business address is 33**
6 **Francis Drive, Belle Mead, New Jersey, 08502. I am a**
7 **consultant to AT&T as a Technical Analyst in the Local**
8 **Connectivity Costing and Pricing District of AT&T's Local**
9 **Services Division. I am presently providing consulting**
10 **services to AT&T and Worldcom Inc.**

11 **Q. PLEASE DESCRIBE YOUR QUALIFICATIONS AND BACKGROUND.**

12 **A. I began my telecommunications career in 1970 with New**
13 **England Telephone in the Central Office Equipment**
14 **Installation Department. In 1975, I worked in the Customer**
15 **Services Outside Plant Department, as Facilities Assigner,**
16 **Completions Clerk to the Installation Control Centers, and**
17 **Electronic Switching Systems ("ESS") Conversions Facilities**
18 **Assigner.**

19

20 **In November 1978, I accepted an assignment as a Technical**
21 **Support Staff Manager for ESS Conversions. In that**
22 **position, I supervised and directed non-management craft**
23 **and semi-craft personnel in ESS conversion activities, and**
24 **provided technical support to organizations that were**

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1 responsible for records conversion and mechanization.
2 Additionally, I was responsible for technical matters
3 associated with the dial for dial (electromechanical to
4 electronic and digital) switch conversions. I was also
5 instrumental in helping New England Telephone develop
6 alternative plans for converting manual plant records to
7 mechanized systems by defining system requirements and
8 analyzing vendor software systems.

9
10 In 1984, I interned at Bellcore (Bell Communications
11 Research) and developed system and training requirements
12 for its Facility Assignment and Control System ("FACS")
13 product line. Thereafter, I returned to New England
14 Telephone as a Staff Manager supporting its FACS conversion
15 activities. I was responsible for systems training,
16 methods and procedures development, and the staffing of a
17 company-wide FACS system hotline.

18
19 In 1986, I accepted a position of Mechanized Loop
20 Assignment Center Manager, Rhode Island. I supervised
21 personnel as they managed the day to day operations of the
22 Rhode Island Mechanized Loop Assignment Center ("MLAC").
23 This included service order provisioning, field assistance,

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1 engineering work order preparation and support, as well as
2 FACS database maintenance.

3
4 In 1989, I accepted a position at New England Telephone
5 (which subsequently became NYNEX) as Outside Plant
6 Engineer. My work included the design and preparation of
7 work prints for toll, exchange feeder, and distribution
8 cable jobs. Additionally, I had the responsibility for
9 estimate work order cost analysis, work order quality
10 assurance, and construction activities.

11
12 In 1993, I accepted a rotational assignment with Bellcore
13 in its Software Assurance Division. At Bellcore, I
14 provided systems integration beta testing support for the
15 FACS product line. In 1995, I transferred to the
16 Professional Services Division as Lead/Senior Consultant in
17 the Telecommunications Business Process Consulting group.
18 During this time, I provided consulting to major
19 telecommunications firms in areas concerning
20 Telecommunication Reform, Local Number Portability,
21 Telecommunications Network Management ("TMN") Systems
22 Architecture, and Non-Recurring Costs. In 1997, I retired
23 from Bellcore to start my own telecommunications consulting
24 company.

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1

2 I have attended classes at Roger William's College with an
3 emphasis in Business Management and in Economics. I also
4 completed numerous technical and management training
5 seminars and curricula during my employment with New
6 England Telephone, NYNEX and Bellcore.

7 **Q. HAVE YOU PREVIOUSLY TESTIFIED IN OTHER JURISDICTIONS?**

8 A. Yes. I have previously testified for AT&T and MCI in
9 Louisiana, Alabama, Georgia, Massachusetts, South Carolina,
10 Tennessee, Connecticut, Maryland, Michigan, Nevada,
11 Washington DC, and Mississippi.

12 **Q. PLEASE EXPLAIN YOUR EXPERIENCE WITH NON-RECURRING COSTS.**

13 A. During my telecommunications career, I have spent much of
14 my time in customer services and provisioning departments.
15 Both of these departments provided services properly
16 characterized, in appropriate circumstances, as non-
17 recurring. I have personally been involved with the
18 service ordering and provisioning of residential, business,
19 complex, and special circuits. I interfaced with virtually
20 every department in the provisioning process while at New
21 England Telephone.

22

23 Some of the activities included providing advice on service
24 order formats, data structure (USOCs and FIDs) and

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1 development of system and service order requirements for
2 new products and services.

3
4 Additionally, I have supervised field assistance personnel
5 in their day-to-day interactions with Central Office ("CO")
6 technicians, Installation & Maintenance ("I&M")
7 technicians, Special Service Installation & Maintenance
8 ("SSIM") technicians, and others, as they connected,
9 disconnected and rearranged equipment and services. This
10 group was responsible for problem resolution, including
11 service order problems, such as missing or incorrectly
12 formatted customer requests and facility problems,
13 including the rearrangement of existing customer lines.
14 In addition, I have supervised receipt of data pertaining
15 to clearance of customer troubles and service order
16 completion data required for billing.

17
18 During my tenure with NYNEX, I also was a part of numerous
19 quality control field exercises, evaluating technicians as
20 they performed installation and maintenance tasks. The
21 results of exercises such as this were used in conducting
22 root cause analysis for problems and provided the
23 foundation for improving methods and procedures and overall
24 service quality.

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1
2 While at Bellcore, I was part of several teams that
3 prepared process flow diagrams, depicting steps that
4 technicians took during provisioning of service, both
5 inside the Central Office and in Outside Plant. Those
6 analyses of process flows helped Bellcore's customers
7 understand where savings could be gained through software
8 enhancements and by using existing methods and procedures.

9 **Q. WHAT IS THE PURPOSE OF YOUR PARTICIPATION IN AT&T'S REPLY**
10 **TESTIMONY PANEL?**

11 **A.** I was asked to review critically from a technical
12 perspective BA-NY's Non-Recurring Cost Model ("NRCM") and
13 its claimed non-recurring costs ("NRCs") for providing
14 UNEs. This reply testimony demonstrates that BA-NY's
15 claimed NRC costs are vastly overstated and should be
16 rejected. In short, BA-NY's NRC model systematically
17 overstates NRC costs as a result of faulty assumptions or
18 inaccurate input values relating to network architecture,
19 operations support systems ("OSS") capabilities, and manual
20 work times. BA-NY's NRC model also violates the principles
21 articulated by the FCC in many ways. It is based on a
22 network different from the network BA-NY proposed in its
23 UNE cost study; it assumes outmoded and inefficient
24 technology; and it treats activities (and their costs)

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1 necessary to build BA-NY's network as non-recurring, while
2 identifying these same activities as recurring costs. BA-
3 NY's NRC cost study includes assumptions that have no
4 purpose other than to inflate its claimed NRC costs; it
5 charges for costs before they are incurred; it charges for
6 manual tasks that will not happen; and it includes charges
7 that are premised on sheer fantasy, to name just a few
8 shortcomings.

9
10 The potential adverse impact of BA-NY's proposed NRCs on
11 CLECs, and on the development of competition in local
12 service markets in New York, cannot be overstated. BA-NY's
13 current filing proposes increases in many of the currently
14 effective NRCs (which are themselves in many respects
15 overstated) by multiples of two, three and more. The
16 following table reflects just a sampling of the potential
17 impact of BA-NY's current proposals:

18

NRC	Current	BA-NY proposed rate	% increase
2-wire new UNE-Loop	\$22.07	\$172.73	683%
2-wire hot-cut UNE-Loop	\$23.97	\$204.81	754%

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Manual surcharge-- digital	\$12.74	\$30.95	143%
Manual loop qualification	\$12.11	\$135.49	1019%
4WIRE new UNE-LOOP	\$22.07	\$209.37	849%

1
2 It is readily apparent that increases of this order of
3 magnitude in the up-front charges that CLECs must pay to
4 BA-NY for service provisioning would substantially erode
5 the economics of market entry for the CLECs. This
6 testimony shows that BA-NY has failed to demonstrate the
7 justification for any increases in NRCs, much less
8 increases of the magnitude reflected in its filing.
9 Accordingly, the Commission should reject BA-NY's NRC model
10 as unreliable and inconsistent with TELRIC principles, and
11 it should reject outright BA-NY's claimed NRC costs.
12